R.J. Reynolds
Tobacco Company

R.J. Westenberger
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To: Bill Roth

Date: March 12, 1997

Subject: Private Label Activity

Dear Bill:

Per our recent conversation, I investigated the introduction of India Tobacco's "Checkers" brand into Vermont. This letter is to advise you of it's current status in Albany division retail stores, as well as to request funds to combat it more effectively.

Currently, this brand is being stocked by about 25 Vermont retailers within the division boundaries - and it's selling. Cigarette outlets appear to be it's strongest outlet type, with 3 different stores selling approximately 100 cpw each. It's been in distribution for 4 weeks. Current retail pricing: Checkers $10.69 - $10.99; Doral: 11.99 w/ $3.00 VPR; RJR PL $11.99.

As we discussed, when this brand was introduced in NY, our S/R's were very effective in hampering it's sales. This was due, in part, to the constraints placed on the retailers from the NY State Minimum Pricing law. However, we were also able to apply a great deal of pressure with our contracts, threatening cancellation if we did not get parity margins for Doral. This tactic, while effective in NY, is ineffective in Vermont. Since it is a non-fair trade state, the wholesalers & retailers can sell this brand at a price Doral can not even come close to, even with a parity margin.

The above said, I would like to request funding to support our private label brands, as they match up to Checkers. I believe that if we are able to promote our private label brands down to the Checkers price for 3 months, we will be able to stop it's growth immediately and effectively discontinue distribution from major outlets. I believe that effectively targeted funds spent now, will save us countless more in the future should this brand get a foothold.

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Source: https://www.industrydocuments.ucsf.edu/docs/hzvn0000

I would recommend a fund of $7,000 be allocated to the division in the form of Forsyth $1 coupons to be used exclusively on RJR PL brands in outlets where Checkers is growing share, or threatening Partner retailers.

Should this proposal meet your approval, I would appreciate your assistance in securing the requested funds as soon as possible.

Sincerely,

Rick

R.J. Westenberger

cc: RSM B. Roth

RJW/rjw

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